



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
DEPARTMENT OF EDUCATION
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT F-212

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

212

FINANCIAL AUDIT REPORT
DEPARTMENT OF EDUCATION
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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November 21, 1980

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The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Department of Education, year ended June 30, 1979.

The auditors are Richard I. LaRock, CPA; Mildred M. Kiesel, CPA; Donald H. McGilvray, CPA; Benjamin Wald, CPA; Nancy L. Campbell; Douglas D. Cordiner; Fredrick Lewis; Stephen Lozano; and John Reagan.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Floyd Mori".
S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted an audit of the Department of Education. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The Department of Education, under the direction of the State Board of Education and the Superintendent of Public Instruction, administers California's public elementary and secondary system for the education of more than five million students from preschool age through adulthood. The department also has overall responsibility for statewide public library services through the State Library. The department is authorized to administer its responsibilities in Section 33300 et seq. of the Education Code. Under the provisions of Education Code Sections 59000 through 59204.5, the department operates six special schools providing highly specialized services for blind, deaf, multihandicapped-deaf, multihandicapped-blind, deaf-blind, neurologically handicapped, seriously emotionally disturbed, and autistic children whose needs cannot be met by their home school district. These

schools are administered through the department's Office of Special Education, and each campus is supervised and directed by a special school superintendent.

Also, within the Department of Education is the Maritime Academy which is administered by the California Maritime Academy Board of Governors. The principal objective of the academy is to provide well-trained, college-educated officers for the maritime industry. The instructional program provides general education classes and specialized courses to prepare students for careers as licensed officers in the merchant marine and in the maritime industry. Legal provisions for the academy are found in the Education Code commencing with Section 70000.

The programs of the Department of Education are primarily supported by appropriations from the General Fund and Capital Outlay Fund for Public Higher Education, service and handling charges, federal funds, and income from surplus money investments.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Department of Education for the year ended June 30, 1979 and the related statements of revenues, expenditures, and changes in fund equity for the year then ended. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The scope of our examination did not include a review of local education agencies to determine their compliance with applicable state and federal regulations. The Education Code requires that an independent audit be made annually of each local education agency.

As described in Note 5 to the combined financial statements, because of inadequate supporting records, we were unable to obtain sufficient evidence to form an opinion regarding the General Fixed Assets Account Group, which totaled \$83,977,144 at June 30, 1979. Accordingly, we do not express an opinion on the General Fixed Assets Account Group.

In our opinion, except as stated in the preceding paragraph, the aforementioned financial statements present fairly the financial position of the state Department of Education at June 30, 1979 and the results of its operations and the changes in fund equity for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" and the accompanying supplemental information are not necessary for a fair presentation of the financial statements but are presented as additional analytical data. This information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above

and, in our opinion, is fairly stated in all material respects
in relation to the financial statements taken as a whole.

Wesley E. Voss
WESLEY E. VOSS
Assistant Auditor General

Date: August 29, 1980

Staff: Richard I. LaRock, CPA
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DEPARTMENT OF EDUCATION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
JUNE 30, 1979

ASSETS	Governmental Fund Types			Fiduciary Fund Types			Account Group		Totals (Memorandum Only)
	General	Special	Capital Projects	Proprietary Fund Type Internal Service	Trusts	Agency	General	Fixed Assets	
Cash	\$ 1,035,727	\$ 39,455,580	\$ --	\$ 2,253,277	\$ 798,954	\$ 76,993	\$ --	\$ --	\$ 43,620,531
Deposits in Surplus Money Investment Fund (Note 2)	16,946,553	43,216,493	--	1,242,000	6,857	87,276	--	--	1,242,000
Accounts receivable due from Surplus Money Investment Fund (Note 2)	(1,540,612)	(1,034,130)	--	(35,179)	--	--	--	--	61,94,229
Allowance for deferred and uncollectible accounts receivable due from Surplus Money Investment Fund (Note 2)	--	604,110	--	48,683	131,656	--	--	--	(2,609,921)
Loans receivable - current (Note 3)	1,867,239	261,679,433	--	--	--	--	--	--	652,793
Due from Federal Government Prepayments to other funds	216,394	--	--	--	--	--	--	--	131,656
Expense advances to employees	145,888	--	--	--	--	--	--	--	263,546,672
Deferred charges	3,489	--	--	--	--	--	--	--	276,394
Prepayments to employees	--	--	--	--	--	--	--	--	145,888
Loans receivable - due in over one year (Note 3)	--	--	--	--	272,000	--	--	--	72,000
Securities and other property (Note 4)	--	--	--	265,210	--	--	--	--	265,210
Land (Note 5)	--	--	--	--	--	--	--	--	356,869
Improvements (Note 5)	--	--	--	--	--	--	--	--	356,869
Leasehold improvements	--	--	--	--	--	--	--	--	23,302,434
Accumulated amortization (Note 6)	--	--	--	55,295	--	--	--	--	55,295
Equipment (Note 5)	--	--	--	(30,618)	--	--	--	--	(30,618)
Accumulated depreciation (Note 6)	--	--	--	707,585	--	--	--	--	7,562,450
Advances to Architecture Revolving Fund	--	--	--	(546,286)	--	--	--	--	(546,286)
Construction in progress	--	--	--	--	--	--	--	--	53,340,609
Total Assets	\$ 18,734,678	\$ 343,981,486	\$ --	\$ 5,291,807	\$ 1,274,677	\$ 164,269	\$ 83,977,144	\$ 453,424,061	
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY									
Liabilities:									
Accounts payable	\$ 7,926,051	\$ 10,011,682	\$ 828	\$ 19,293	\$ 5,919	\$ --	\$ --	\$ --	\$ 17,944,480
Due to Federal Government	402,835	9,532,553	--	2,403,305	--	--	--	--	9,954,681
Due to other funds	26,258,870	8,241,410	--	203,999	--	--	--	--	36,913,585
Uncleared collections	190,40	47,661	--	--	--	--	--	--	442,160
Due to insurers	--	--	--	--	--	107,965	--	--	107,965
Due to county school superintendents	--	--	--	--	--	56,110	--	--	56,110
Due to trust administrator	--	--	--	--	--	194	--	--	194
Total Liabilities	34,788,156	27,833,306	828	2,626,597	5,919	164,269	--	--	65,419,075
Encumbrances Outstanding	29,065,996	286,883,415	773,780	--	--	--	--	--	316,723,191
Fund Equity:									
Investment in general fixed assets	--	--	--	--	--	--	--	--	30,514,168
Reserves for construction	--	--	--	2,665,210	--	--	--	--	53,462,976
Retained earnings	--	--	--	--	--	--	--	--	2,665,210
Fund balances:									
Special trust	--	--	--	--	632,810	--	--	--	632,810
Depositors	--	--	--	--	49,850	--	--	--	49,850
Designated corpus	--	29,264,765	--	584,329	--	--	--	--	584,329
Designated for special operations	(45,119,474)	--	(774,608)	1,769	--	--	--	--	29,266,534
Operating clearing (Note 7)	(45,119,474)	29,264,765	(774,608)	2,665,210	1,268,758	--	--	--	(45,384,082)
Total Fund Equity									
Total Liabilities, Encumbrances Outstanding, and Fund Equity	\$ 18,734,678	\$ 343,981,486	\$ --	\$ 5,291,807	\$ 1,274,677	\$ 164,269	\$ 83,977,144	\$ 453,424,061	

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF EDUCATION

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY
ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Intergovernmental revenues	\$ --	\$ 687,797,867	\$ --	\$ --	\$ 687,797,867
Interest	--	1,173,985	--	33,043	1,207,028
Miscellaneous revenues	10,185	136,898	--	--	147,083
Dividends	--	--	--	9,697	9,697
Gifts	--	--	--	45,744	45,744
Total Revenues	<u>10,185</u>	<u>689,108,750</u>	<u>--</u>	<u>88,484</u>	<u>689,207,419</u>
Other Financing Sources:					
Appropriations (Note 8)	368,667,934	--	8,090,251	--	376,758,185
Transfers from the General Fund	--	5,227,370,870	--	--	5,227,370,870
Receipts from depositors	--	--	--	150,381	150,381
Adjustments from liquidation of accruals (Note 9)	<u>263,391</u>	<u>(54,911,424)</u>	<u>--</u>	<u>--</u>	<u>(54,648,033)</u>
Total Other Financing Sources	<u>368,931,325</u>	<u>5,172,459,446</u>	<u>8,090,251</u>	<u>150,381</u>	<u>5,549,631,403</u>
Total Revenues and Other Financing Sources	<u><u>368,941,510</u></u>	<u><u>5,861,568,196</u></u>	<u><u>8,090,251</u></u>	<u><u>238,865</u></u>	<u><u>6,238,838,822</u></u>
Expenditures:					
Current:					
State operations	119,317,596	21,167,623	--	--	140,485,219
Student concerns	--	--	--	106,992	106,992
Payments for depositors	--	--	--	131,846	131,846
Adjustments from liquidation of accruals (Note 9)	<u>(1,451,759)</u>	<u>(16,003,685)</u>	<u>--</u>	<u>--</u>	<u>(17,455,444)</u>
Reimbursements	<u>(18,807,034)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(18,807,034)</u>
Total Current Expenditures	<u>99,058,803</u>	<u>5,163,938</u>	<u>--</u>	<u>238,838</u>	<u>104,461,579</u>
Capital Outlay:					
State operations	62,000	--	8,870,682	--	8,932,682
Adjustments from liquidation of accruals (Note 9)	--	--	<u>397,291</u>	--	<u>397,291</u>
Reimbursements	--	--	<u>(405,400)</u>	--	<u>(405,400)</u>
Total Capital Outlay	<u>62,000</u>	<u>--</u>	<u>8,862,573</u>	<u>--</u>	<u>8,924,573</u>
Intergovernmental:					
Local assistance	197,765,984	5,924,739,409	--	--	6,122,505,393
Adjustments from liquidation of accruals (Note 9)	<u>(9,443,120)</u>	<u>(42,813,090)</u>	<u>--</u>	<u>--</u>	<u>(52,256,210)</u>
Reimbursements	<u>(67,746,602)</u>	<u>(11,307,147)</u>	<u>--</u>	<u>--</u>	<u>(79,053,749)</u>
Total Intergovernmental Expenditures	<u>120,576,262</u>	<u>5,870,619,172</u>	<u>--</u>	<u>--</u>	<u>5,991,195,434</u>
Total Expenditures	<u>219,697,065</u>	<u>5,875,783,110</u>	<u>8,862,573</u>	<u>238,838</u>	<u>6,104,581,586</u>
Other Uses:					
Intrafund transfers (Note 10)	90,408,109	--	--	--	90,408,109
Transfers to other funds	<u>71,203,788</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>71,203,788</u>
Total Expenditures and Other Uses	<u>381,308,962</u>	<u>5,875,783,110</u>	<u>8,862,573</u>	<u>238,838</u>	<u>6,266,193,483</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>(12,367,452)</u>	<u>(14,214,914)</u>	<u>(772,322)</u>	<u>27</u>	<u>(27,354,661)</u>
Fund Equity:					
Fund Balance - July 1	--	43,479,679	--	682,633	44,162,312
Operating Clearing - July 1 (Note 7)	<u>(32,752,022)</u>	<u>--</u>	<u>(2,286)</u>	<u>--</u>	<u>(32,754,308)</u>
Fund Balance - June 30	\$ --	\$ 29,264,765	\$ --	\$ 682,660	\$ 29,947,425
Operating Clearing - June 30 (Note 7)	<u>\$45,119,474</u>	<u>\$ --</u>	<u>\$ (774,608)</u>	<u>\$ --</u>	<u>\$ (45,894,082)</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF EDUCATION
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS/FUND BALANCES
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Non- expendable Trust</u>	
Operating Revenues:			
Service and handling charges	\$ 8,035,343	\$ --	\$8,035,343
Commodity processing charges	274,767	--	274,767
Charges for services	<u>1,726,775</u>	<u>--</u>	<u>1,726,775</u>
Total Operating Revenues	<u>10,036,885</u>	<u>--</u>	<u>10,036,885</u>
Operating Expenses:			
General	8,969,879	--	8,969,879
Depreciation (Note 6)	54,602	--	54,602
Amortization (Note 6)	6,697	--	6,697
Miscellaneous	<u>439,997</u>	<u>--</u>	<u>439,997</u>
Total Operating Expenses	<u>9,471,175</u>	<u>--</u>	<u>9,471,175</u>
Operating Income	<u>565,710</u>	<u>--</u>	<u>565,710</u>
Nonoperating Revenues:			
Interest	128,812	--	128,812
Sale of equipment	<u>530</u>	<u>--</u>	<u>530</u>
Total Nonoperating Revenues	<u>129,342</u>	<u>--</u>	<u>129,342</u>
Net Income	695,052	--	695,052
Retained Earnings/Fund Balance - July 1	<u>1,970,158</u>	<u>586,098</u>	<u>2,556,256</u>
Retained Earnings/Fund Balance - June 30	<u>\$ 2,665,210</u>	<u>\$586,098</u>	<u>\$3,251,308</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF EDUCATION
 COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Non- expendable Trust</u>	
Sources of Working Capital:			
Operations:			
Net Income	\$ 565,710	\$ --	\$ 565,710
Items not requiring working capital:			
Amortization	6,697	--	6,697
Depreciation	<u>54,602</u>	<u>--</u>	<u>54,602</u>
Working Capital Provided by Operations	<u>627,009</u>	<u>--</u>	<u>627,009</u>
Interest	128,812	--	128,812
Sale of equipment	<u>530</u>	<u>--</u>	<u>530</u>
Total Sources of Working Capital	<u>756,351</u>	<u>--</u>	<u>756,351</u>
Uses of Working Capital:			
Acquisition of equipment	<u>17,371</u>	<u>--</u>	<u>17,371</u>
Net Increase (Decrease) in Working Capital	<u>\$ 738,980</u>	<u>\$ --</u>	<u>\$ 738,980</u>
Elements of Net Increase (Decrease) in Working Capital:			
Cash	\$1,205,641	\$(69,344)	\$1,136,297
Deposits in Surplus Money			
Investment Fund	(636,000)	--	(636,000)
Accounts receivable (net)	138,430	69,344	207,774
Due from Surplus Money			
Investment Fund	(42,528)	--	(42,528)
Accounts payable	213,558	--	213,558
Uncleared collections	<u>(140,121)</u>	<u>--</u>	<u>(140,121)</u>
Net Increase (Decrease) in Working Capital	<u>\$ 738,980</u>	<u>\$ --</u>	<u>\$ 738,980</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and the results of operations and changes in the financial position of the Department of Education. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting. The accompanying financial statements are structured into Governmental Fund Types, a Proprietary Fund Type, Fiduciary Fund Types, and an Account Group.

The Department of Education accounts for the entire State Instructional Materials Fund, Vocational Education Federal Fund, State Child Nutrition Fund, Public School District Organization Revolving Fund, various trust funds, and the General Fixed Assets Account Group. The department accounts for only its portion of these funds: the General Fund, the Special Deposit Fund, the Capital Outlay Fund for Public Higher Education, and the State School Fund. The State Controller maintains control accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in proprietary and fiduciary funds--are accounted for through governmental funds. The Department of Education uses the General Fund, a Capital Projects Fund, and Special Revenue Funds; these are categorized as Governmental Fund Types.

General Fund

This fund includes all financial resources not accounted for in another fund.

Special Revenue Funds

These funds are used to account for specific revenues and operating expenditures earmarked for particular activities. The following are classified as special revenue funds:

State School Fund

As provided in the Education Code, this fund pays various apportionments to California public school districts for support and aid to public education.

State Instructional Materials Fund

This fund was created to assist school districts in acquiring any instructional materials that have been adopted by the State Board of Education. The intent of the fund is to give local school district boards more choice in determining the textbooks and materials which will best meet their needs.

Each district board is given credits based upon its average daily attendance for the preceding fiscal year and a cost factor adjusted for inflation. Using these credits, each district board may order instructional materials.

The State Board also establishes a cash allotment that public schools may use for purchasing instructional materials from any source. This cash allotment reduces the school credit available to the public schools and is paid to the applicable county treasurers to the credit of the district.

Unexpended cash allotments or credits of any district board are separately encumbered at year end and carried forward to the following fiscal year for use by the district board.

Vocational Education Federal Fund

This fund was created as a depository of monies received from the Federal Government to prepare students to obtain gainful employment.

Special Deposit Fund - Education Federal Funds and Miscellaneous Funds

Monies received or collected by the department for specific purposes for which no fund has been created in the State Treasury are accounted for in the Special Deposit Fund.

The department administers various federal grants received either directly from the Federal Government or through an intermediary state agency. These grants are distributed to school districts, organizations, and individuals for conducting various educational projects. Each grant is separately accounted for in the Special Deposit Fund. The grants have been combined for statement presentation only. (Exhibit 1 lists the accounts within these funds.)

State Child Nutrition Fund

This fund is used to reimburse child nutrition providers, such as school districts, county superintendents of schools, parochial schools, and child development programs based upon the number of qualifying meals served to students. All school districts maintaining kindergarten through grade 12 levels must provide one nutritionally adequate meal without cost or for a reduced price during each school day for each needy pupil enrolled. This fund reimburses child nutrition providers for all eligible meals served at a basic rate of \$0.05 per meal. This rate is adjusted annually for cost-of-living increases.

Capital Projects Fund

A capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Outlay Fund for Public Higher Education is the only capital projects fund used by the Department of Education.

Capital Outlay Fund for Public Higher Education

This fund was created to support major building construction and site acquisitions for public community colleges, state universities and colleges, the University of California system, the California Maritime Academy, and other educational institutions authorized by the Legislature.

All of the Governmental Fund Types are maintained on a modified accrual basis of accounting. These are some of the more significant elements of accounting for this fund type:

Income

Income from revenues and reimbursements is recognized in the accounting period in which it is measurable and available to finance appropriation expenditures of the period.

Expenditures

Expenditures are recognized, if measurable, in the accounting period in which the liability is incurred. Expenditures also include encumbrances for goods or services not received at year end.

Liabilities

Retirement Plan - Regular employees of the department are either members of the Public Employees' Retirement System or the State Teachers' Retirement System, both of which are defined benefit, contributory retirement plans. Both the employer and the employee contribute to these plans. The amount the department and its employees contribute to these plans is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The department's share of retirement contributions for the year was \$6,379,385.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time these benefits are used rather than when they are earned.

PROPRIETARY FUND TYPE

The Proprietary Fund Types are used to account for measurements of net income and capital maintenance within a government's organizations and activities. These fund types correspond with those often found in the private sector.

Included in this category are internal service funds. These are the department's internal service funds:

Surplus Property Revolving Fund

This fund is used to acquire surplus property of the Federal Government and to distribute such property to eligible state and local agencies.

Special Deposit Fund - Miscellaneous Services

Monies received or collected by the department for specific purposes for which no fund has been created in the State Treasury are accounted for in the Special Deposit Fund.

The department provides goods and services to various state agencies, to local governments, and to individuals on a cost-reimbursement basis. To account for the financing of these programs, the department maintains nine fund accounts within the Special Deposit Fund. The financial statements are combined for statement presentation only; each fund is accounted for separately. (Exhibit 1 lists the accounts within this fund.)

The Proprietary Fund Type is maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and measurable, and expenses, including depreciation and amortization, are recognized in the period incurred.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by a governmental unit as a trustee or as an agent for individuals or private organizations. The following funds are included in the Fiduciary Fund Types:

Expendable Trust Funds

These are funds whose resources, including both principal and earnings, may be expended. The department maintains trust accounts to account for resources the department holds as a trustee for the special schools. The special schools maintain trust accounts to account for certain monies and properties received, held, and disbursed for students.

The expendable trust funds are accounted for on a modified accrual basis of accounting. As trustee of the Special School Trusts, the department forwards cash purchase funds to these schools, which use them on an imprest basis. The department periodically reimburses the special schools for expenditures incurred, and the department maintains financial accountability for trust fund activities. At June 30, the amount of outstanding cash purchase funds and unreimbursed expenditures are recorded as intra-departmental receivables and payables.

Nonexpendable Trust Funds

Nonexpendable trust funds account for resources for which the principal may not be expended. The nonexpendable trust funds of the department are the Public School District Organization Revolving Fund and a portion of trust funds maintained for the special schools.

Public School District Organization Revolving Fund

Section 41360 of the Education Code provides that the money in this fund may be used for loans to newly organized elementary, high school, or unified school districts.

The nonexpendable trust funds are accounted on the accrual basis of accounting.

Agency Funds

Agency funds are used to account for resources received and held as an agent for others. The department accounts for agency funds by use of the following accounts in the Special Deposit Fund:

Tax Sheltered Annuity Account - This account is used as a depository for money that department employees request be withheld from their wages; these monies are to be invested in a deferred compensation plan.

Unemployment Insurance Administration Account - This account is used as a depository for funds transferred from the administrator of the School Employees Fund to the Department of Education. The department apportions these funds, less actual administrative costs, to the County Superintendent of Schools to cover the costs of administering the system for managing unemployment insurance.

Vacation Trust Account - This account is used as a depository for money withheld from the wages of temporary maintenance workers and paid to union vacation trust accounts.

Agency funds' assets and liabilities are accounted for on a modified accrual basis of accounting.

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group accounting policies and practices are explained in Note 5.

2. DEPOSITS IN SURPLUS MONEY INVESTMENT FUND

This account includes temporary cash reserves which may be transferred to and from the Surplus Money Investment Fund for cash flow and pooled investment purposes. Earnings derived from investments of the Surplus Money Investment Fund are apportioned to contributing funds in proportion to the resources each fund provided during the period. The earnings are accrued on statements of the department at June 30, 1979.

3. LOANS RECEIVABLE

The Public School District Organization Revolving Fund had outstanding loans which were due from newly organized school districts. These loans are recovered by the State Controller from state apportionments.

4. SECURITIES AND OTHER PROPERTY

Trust stock investments are recorded for accounting purposes at \$1.00 per share. Stock has been received by gift and stock splits over a period of 30 years. Generally accepted accounting principles require that this stock be recorded at fair market value at the date of the gift. Fair market value at the time of receipt is not available. However, the market value for the 5,220 shares of stock at June 30, 1979 was approximately \$154,068.

5. GENERAL FIXED ASSETS ACCOUNT GROUP ACCOUNTING POLICIES AND PRACTICES

The General Fixed Assets Account Group is used to account for land, improvements, and equipment other than that of proprietary funds. Assets purchased are recorded as expenditures

expenditures in the appropriate fund in the year of acquisition or encumbrance. Generally, all assets valued at \$150 or more with a useful life of two years or more are accounted for in the General Fixed Assets Account Group.

The Department of Education has not maintained current records to support the beginning balance for land, improvements, and equipment. As such, the amount of fixed assets reported in the General Fixed Assets Account Group could differ substantially from the actual cost of fixed assets.

6. DEPRECIATION AND AMORTIZATION

Leasehold improvements and equipment are recorded at cost. Amortization is provided on the straight-line basis over the remaining lives of the respective leases. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets.

7. OPERATING CLEARING

This account is the connecting link between the records of various agencies and the central fund accounts maintained by the State Controller for funds not accounted for entirely by one agency. The balance at June 30 represents the net assets and liabilities for which the department is accountable.

8. APPROPRIATIONS

Funds provided from appropriations consist of cash disbursed by the State Controller from the department's appropriations for the year ended June 30, 1979 as well as the liquidation of expenditures accrued against appropriations for prior periods.

9. ADJUSTMENTS FROM LIQUIDATION OF ACCRUALS

This account includes the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amounts of revenues, expenditures, abatements, and reimbursements obtained during the current fiscal year but related to a prior fiscal year.

10. INTRAFUND TRANSFERS

Intrafund transfers represent revenues, reimbursements, and refunds to reverted appropriations for which the department has transferred accountability to the State Controller.

11. LEASES

The following is a yearly schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms exceeding one year as of June 30, 1979:

Year ending June 30:

1980	\$ 344,064
1981	335,891
1982	335,514
1983	106,630
1984	75,654
Later years	<u>647,903</u>
Total Minimum Payments Required	<u>\$1,845,656</u>

The following schedule shows the composition of total rental expenses for all operating leases except for those with terms of a month or less that were not renewed:

	<u>Year ending June 30, 1979</u>
Minimum rentals	\$1,140,428
Less: Sublease rentals	<u>(97,920)</u>
	<u>\$1,042,508</u>

12. COMMITMENTS

The Department of Education, through its Surplus Property Division, enters into contracts with food processors to convert surplus commodities into various processed food items used by school districts. The department may cancel these contracts if the quality of the products, their timely manufacture, or the supply does not meet the department's specifications. At June 30, 1979, these unexecuted contract commitments amounted to \$2,505,789.

SUPPLEMENTAL INFORMATION

The accompanying supplemental information presents (1) a list of the accounts which have been combined for financial statement presentation; (2) combining balance sheets, statements of revenues, expenditures/expenses, and changes in fund equity, and statements of changes in assets and liabilities; and (3) a comparison of each fund's legally adopted budgets with actual data on the budgetary basis.

The State's annual budget represents departmental appropriations as authorized by the Budget Act of 1978, continuing appropriations, specific legislation, and authorized revisions that reflect changes in programs and activities during the year. The State's annual budget does not include operations of the Vocational Education Federal Fund, the Public School District Organization Revolving Fund, the trust funds, and the department's accounts in the Special Deposit Fund. Accordingly, the budgetary comparison only reflects budgeted General Fund, Special Revenue Fund, and Capital Projects Fund accounts of the department.

While not necessary for a fair presentation of the general purpose financial statements, the supplemental information is included to provide additional analytical data.

ACCOUNTS COMBINED ON FINANCIAL STATEMENTSSPECIAL REVENUE FUNDSSpecial Deposit Fund - Education Federal Funds

The following accounts comprise the Special Deposit Fund - Education Federal Funds of the department.

Assistance for State Equalization Plans	Lau Centers - Administration
Library Services and Construction	Gifted and Talented Children
Manpower Development & Training Act	Community Education
Adult Basic Education	Arts Education
Elementary and Secondary Education Act I	Right to Read
Education of the Handicapped Act VI	Student Concerns
Elementary and Secondary Education Act III	Elementary and Secondary Education Act VII
Education Professions Development Act	National Diffusion Network
Follow Through Program	Sex Equity in Education
Elementary and Secondary Education Act IV	Food and Nutrition Services
Training Personnel Handicapped Children	Advisory Services - Desegregation
Career Education	Indochinese Refugees

Special Deposit Fund - Miscellaneous Funds

The following accounts comprise the Special Deposit Fund - Miscellaneous Funds of the department.

Employment Development Department - Migrant Child Care Facilities
Comprehensive Employment Training Act

INTERNAL SERVICE FUNDSpecial Deposit Fund - Miscellaneous Services

The following accounts comprise the Special Deposit Fund - Miscellaneous Services of the department.

Apprenticeship Manuals Program	California Public and Private School
Vocational Education Publications	Directories
General Education - Development Fees	County Funds for Maintenance of Effort for
California Videocassette Circuit	Child Care Services
School Approval Fees	Education Conferences
Campus Children's Centers	

SPECIAL SCHOOLS

There are six state schools for the handicapped in California. These schools are under the administration of the department but each maintains separate financial accountability. Financial statements of the special schools are combined with those of the department for statement presentation purposes only. The special schools are:

California School for the Deaf, Northern California,
California School for the Deaf, Southern California,
California School for the Blind,
Diagnostic School for Neurologically Handicapped Children, Northern California,
Diagnostic School for Neurologically Handicapped Children, Central California, and
Diagnostic School for Neurologically Handicapped Children, Southern California.

DEPARTMENT OF EDUCATION

COMBINING BALANCE SHEET
GENERAL FUND

JUNE 30, 1979

<u>ASSETS</u>	<u>Department of Education</u>	<u>Special Schools*</u>	<u>California Maritime Academy</u>	<u>Totals (Memorandum Only)</u>
Cash	\$ 444,473	\$ 468,035	\$123,219	\$ 1,035,727
Accounts receivable	16,652,763	244,016	49,774	16,946,553
Allowance for deferred and uncollectible accounts receivable	(1,540,612)	--	--	(1,540,612)
Due from Federal Government	1,867,239	--	--	1,867,239
Prepayments to other funds	245,528	10,282	20,584	276,394
Expense advances to employees	127,035	15,187	3,666	145,888
Deferred charges	3,429	60	--	3,489
Total Assets	<u>\$ 17,799,855</u>	<u>\$ 737,580</u>	<u>\$197,243</u>	<u>\$ 18,734,678</u>

LIABILITIES, ENCUMBRANCES
OUTSTANDING, AND FUND EQUITY

Liabilities:				
Accounts payable	\$ 7,207,606	\$ 463,502	\$254,943	\$ 7,926,051
Due to Federal Government	402,835	--	--	402,835
Due to other funds	26,268,870	--	--	26,268,870
Uncleared collections	<u>96,466</u>	<u>56,040</u>	<u>37,894</u>	<u>190,400</u>
Total Liabilities	<u>33,975,777</u>	<u>519,542</u>	<u>292,837</u>	<u>34,788,156</u>
Encumbrances Outstanding	<u>28,471,771</u>	<u>594,225</u>	<u>--</u>	<u>29,065,996</u>
Fund Equity:				
Operating clearing	<u>(44,647,693)</u>	<u>(376,187)</u>	<u>(95,594)</u>	<u>(45,119,474)</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 17,799,855</u>	<u>\$ 737,580</u>	<u>\$197,243</u>	<u>\$ 18,734,678</u>

* See list of special schools, Exhibit 1.

DEPARTMENT OF EDUCATION
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS

JUNE 30, 1979

	State School Fund (Part A)	State Child Nutrition	State Instructional Materials	Vocational Education Federal	Special Deposit Fund - Education Federal*	Special Deposit Fund - Miscellaneous*	Totals (Memorandum Only)
ASSETS							
Cash	\$ 23,624	\$ 146,750	\$38,667,937	\$ 31,766	\$ 478,727	\$ 106,776	\$ 39,455,580
Accounts receivable	6,762,054	25,028,082	181,220	123,619	2,617,829	8,563,689	43,276,493
Allowance for deferred and uncollectible accounts receivable	(1,006,887)	--	--	--	(27,243)	--	(1,034,130)
Due from Surplus Money Investment Fund	(1,604,110)	--	--	--	--	--	604,110
Due from Federal Government	--	--	--	34,107,577	227,571,856	--	261,679,433
Total Assets	<u>\$ 6,382,901</u>	<u>\$25,174,832</u>	<u>\$38,849,157</u>	<u>\$34,262,962</u>	<u>\$230,641,169</u>	<u>\$8,670,465</u>	<u>\$343,981,486</u>
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ --	\$ --	\$ 7,001,538	\$ 2,776,266	\$ 6,657,664	\$ 3,010,144	\$ 10,011,682
Due to Federal Government	5,031,561	4,832	--	728,093	2,461,337	98,623	9,532,553
Due to other funds	--	--	--	19,308	22,391	15,587	8,241,410
Uncleared collections						5,962	47,661
Total Liabilities	<u>5,031,561</u>	<u>4,832</u>	<u>7,001,538</u>	<u>3,523,667</u>	<u>9,141,392</u>	<u>3,130,316</u>	<u>27,833,306</u>
Encumbrances Outstanding	<u>--</u>	<u>25,170,000</u>	<u>4,403,487</u>	<u>30,739,295</u>	<u>221,030,484</u>	<u>5,540,149</u>	<u>286,883,415</u>
Fund Equity:							
Fund balance - Designated for special operations	<u>1,351,340</u>	<u>--</u>	<u>27,444,132</u>	<u>--</u>	<u>469,293</u>	<u>--</u>	<u>29,264,765</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 6,382,901</u>	<u>\$25,174,832</u>	<u>\$38,849,157</u>	<u>\$34,262,962</u>	<u>\$230,641,169</u>	<u>\$8,670,465</u>	<u>\$343,981,486</u>

* See list of combined accounts, Exhibit 1.

EXHIBIT 3

DEPARTMENT OF EDUCATION

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND

JUNE 30, 1979

	Capital Outlay Fund for Public Higher Education			Totals (Memorandum Only)
	California School for the Deaf -	California Maritime Academy		
<u>ASSETS</u>				
Total Assets	\$ --	\$ --	\$ --	
<u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 828	\$ --	\$ 828	
Encumbrances Outstanding	<u>509,380</u>	<u>264,400</u>	<u>773,780</u>	
Fund Equity:				
Operating clearing	<u>(510,208)</u>	<u>(264,400)</u>	<u>(774,608)</u>	
Total Liabilities, Encumbrances Outstanding, and Fund Equity	\$ --	\$ --	\$ --	

DEPARTMENT OF EDUCATION

COMBINING BALANCE SHEET
ALL PROPRIETARY FUNDS

JUNE 30, 1979

<u>ASSETS</u>	Internal Service			Totals (Memorandum Only)
	State Surplus Property Revolving	Special Deposit Fund - Miscellaneous Services*		
Cash	\$1,421,804	\$831,473		\$2,253,277
Deposits in Surplus Money Investment Fund	1,242,000	--		1,242,000
Accounts receivable	1,549,850	47,200		1,597,050
Allowance for deferred and uncollectible accounts receivable	(35,062)	(117)		(35,179)
Due from Surplus Money Investment Fund	48,683	--		48,683
Leasehold improvements	55,295	--		55,295
Accumulated amortization	(30,618)	--		(30,618)
Equipment	707,585	--		707,585
Accumulated depreciation	(546,286)	--		(546,286)
Total Assets	<u>\$4,413,251</u>	<u>\$878,556</u>		<u>\$5,291,807</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Due to Federal Government	\$ --	\$ 19,293	\$ 19,293
Due to other funds	2,070,961	332,344	2,403,305
Uncleared collections	<u>168,467</u>	<u>35,532</u>	<u>203,999</u>
Total Liabilities	<u>2,239,428</u>	<u>387,169</u>	<u>2,626,597</u>
Fund Equity:			
Retained earnings	<u>2,173,823</u>	<u>491,387</u>	<u>2,665,210</u>
Total Liabilities and Fund Equity	<u><u>\$4,413,251</u></u>	<u><u>\$878,556</u></u>	<u><u>\$5,291,807</u></u>

* See list of combined accounts, Exhibit 1.

DEPARTMENT OF EDUCATION
 COMBINING BALANCE SHEET
 ALL TRUST FUNDS

JUNE 30, 1979

	Expendable Trusts		Nonexpendable Trusts		Totals (Memorandum Only)
	Department of Education	Special Schools*	Department of Education	Public School District Organization Revolving Fund	
ASSETS					
Cash	\$513,379	\$28,165	\$ 59,297	\$198,113	\$ 798,954
Intradepartmental receivable	611	21,358	--	--	21,369
Accounts receivable	--	6,857	--	--	6,857
Loans receivable - current	--	--	--	131,656	131,656
Loans receivable - due in over one year	136,653	3,525	125,032	72,000	265,210
Securities and other property					
Total Assets	<u>\$650,643</u>	<u>\$59,905</u>	<u>\$184,329</u>	<u>\$401,769</u>	<u>\$1,296,646</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Intradepartmental payable	\$ 21,358	\$ 611	\$ --	\$ --	\$ 21,969
Accounts payable	--	5,919	--	--	5,919
Total Liabilities	<u>21,358</u>	<u>6,530</u>	<u>--</u>	<u>--</u>	<u>27,888</u>
Fund Equity:					
Fund Balances:					
Special trust	629,285	3,525	--	--	632,810
Depositors	--	49,850	--	--	49,850
Designated corpus	--	--	184,329	400,000	584,329
Designated for special operations	--	--	--	1,769	1,769
Total Fund Equity	<u>629,285</u>	<u>53,375</u>	<u>184,329</u>	<u>401,769</u>	<u>1,268,758</u>
Total Liabilities and Fund Equity	<u>\$650,643</u>	<u>\$59,905</u>	<u>\$184,329</u>	<u>\$401,769</u>	<u>\$1,296,646</u>

* See list of special schools, Exhibit 1.

DEPARTMENT OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN OPERATING CLEARING
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Department of Education	Special Schools*	California Maritime Academy	Totals (Memorandum Only)
Revenues:				
Miscellaneous revenues	<u>\$ 2,085</u>	<u>\$ 2,565</u>	<u>\$ 5,535</u>	<u>\$ 10,185</u>
Other Financing Sources:				
Support appropriations	<u>343,105,820</u>	<u>21,635,563</u>	<u>3,926,551</u>	<u>368,667,934</u>
Adjustments from liquidation of accruals	<u>255,635</u>	<u>--</u>	<u>7,756</u>	<u>263,391</u>
Total Other Financing Sources	<u>343,361,455</u>	<u>21,635,563</u>	<u>3,934,307</u>	<u>368,931,325</u>
Total Revenues and Other Financing Sources	<u>343,363,540</u>	<u>21,638,128</u>	<u>3,939,842</u>	<u>368,941,510</u>
Expenditures:				
Current:				
State operations	<u>93,400,519</u>	<u>21,984,122</u>	<u>3,932,955</u>	<u>119,317,596</u>
Adjustments from liquidation of accruals	<u>(1,463,576)</u>	<u>56,696</u>	<u>(44,879)</u>	<u>(1,451,759)</u>
Reimbursements	<u>(14,013,982)</u>	<u>(3,046,506)</u>	<u>(1,746,546)</u>	<u>(18,807,034)</u>
Total Current Expenditures	<u>77,922,961</u>	<u>18,994,312</u>	<u>2,141,530</u>	<u>99,058,803</u>
Capital Outlay:				
State operations	<u>--</u>	<u>62,000</u>	<u>--</u>	<u>62,000</u>
Total Capital Outlay	<u>--</u>	<u>62,000</u>	<u>--</u>	<u>62,000</u>
Intergovernmental:				
Local assistance	<u>197,765,984</u>	<u>--</u>	<u>--</u>	<u>197,765,984</u>
Adjustments from liquidation of accruals	<u>(9,443,120)</u>	<u>--</u>	<u>--</u>	<u>(9,443,120)</u>
Reimbursements	<u>(67,746,602)</u>	<u>--</u>	<u>--</u>	<u>(67,746,602)</u>
Total Intergovernmental Expenditures	<u>120,576,262</u>	<u>--</u>	<u>--</u>	<u>120,576,262</u>
Total Expenditures	<u>198,499,223</u>	<u>19,056,312</u>	<u>2,141,530</u>	<u>219,697,065</u>
Other Uses:				
Intrafund transfers	<u>85,889,448</u>	<u>2,797,133</u>	<u>1,721,528</u>	<u>90,408,109</u>
Transfers to other funds	<u>71,203,788</u>	<u>--</u>	<u>--</u>	<u>71,203,788</u>
Total Expenditures and Other Uses	<u>355,592,459</u>	<u>21,853,445</u>	<u>3,863,058</u>	<u>381,308,962</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>(12,228,919)</u>	<u>(215,317)</u>	<u>76,784</u>	<u>(12,367,452)</u>
Fund Equity:				
Operating Clearing - July 1	<u>(32,418,774)</u>	<u>(160,870)</u>	<u>(172,378)</u>	<u>(32,752,022)</u>
Operating Clearing - June 30	<u><u>\$ 44,647,693</u></u>	<u><u>\$ (376,187)</u></u>	<u><u>\$ (95,594)</u></u>	<u><u>\$ (45,119,474)</u></u>

* See list of special schools, Exhibit 1.

DEPARTMENT OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY
ALL SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	State School Fund (Part A)	State Child Nutrition	State Instructional Materials	Vocational Education Federal	Special Deposit Fund - Education Federal*	Special Deposit Fund - Miscellaneous*	Total \$ (Memorandum Only)
Revenues:							
Intergovernmental revenues	\$ 16,665,405	\$ --	\$ --	\$ 54,063,988	\$ 617,068,474	\$ --	\$ 687,797,867
Interest	1,173,985	--	--	--	--	--	1,173,985
Miscellaneous revenues	116,277	--	--	--	19,934	687	136,898
Total Revenues	<u>17,955,667</u>	<u>--</u>	<u>--</u>	<u>54,063,988</u>	<u>617,068,408</u>	<u>687</u>	<u>689,108,750</u>
Other Financing Sources:							
Transfers from the General Fund	5,165,828,368	32,852,708	28,689,794	--	--	--	5,227,370,870
Adjustments from liquidation of accruals	--	<u>(6,342,183)</u>	--	<u>361,116</u>	<u>(48,927,364)</u>	<u>(2,993)</u>	<u>(54,911,424)</u>
Total Other Financing Sources	<u>5,165,828,368</u>	<u>26,510,525</u>	<u>28,689,794</u>	<u>361,116</u>	<u>(48,927,364)</u>	<u>(2,993)</u>	<u>5,172,459,446</u>
Total Revenues and Other Financing Sources	<u>5,183,784,035</u>	<u>26,510,525</u>	<u>28,689,794</u>	<u>54,425,104</u>	<u>568,161,044</u>	<u>(2,306)</u>	<u>5,861,568,196</u>
Expenditures:							
Current:							
State operations	--	--	302,343	4,497,078	15,610,612	757,590	21,167,623
Adjustments from liquidation of accruals	--	--	--	--	<u>(16,000,692)</u>	<u>(2,993)</u>	<u>(16,003,685)</u>
Total Current Expenditures	--	--	<u>302,343</u>	<u>4,497,078</u>	<u>(390,080)</u>	<u>754,597</u>	<u>5,163,938</u>
Intergovernmental:							
Local assistance	5,187,795,198	32,852,708	42,828,392	49,566,910	601,174,618	10,521,583	5,924,739,409
Adjustments from liquidation of accruals	(3,869,388)	<u>(6,342,183)</u>	<u>(28,661)</u>	<u>361,116</u>	<u>(32,962,635)</u>	<u>(11,278,486)</u>	<u>(42,813,090)</u>
Reimbursements	--	--	--	--	--	--	<u>(11,307,147)</u>
Total Intergovernmental Expenditures	<u>5,183,925,810</u>	<u>26,510,525</u>	<u>42,799,731</u>	<u>49,928,026</u>	<u>568,211,983</u>	<u>(756,903)</u>	<u>5,870,619,172</u>
Total Expenditures	<u>5,183,925,810</u>	<u>26,510,525</u>	<u>43,102,074</u>	<u>54,425,104</u>	<u>567,821,903</u>	<u>(2,306)</u>	<u>5,875,783,110</u>
Excess of Revenues and Other Sources over (under) Expenditures	(141,775)	--	(14,412,280)	--	339,141	--	(14,214,914)
Fund Equity:							
Fund Balance - July 1	1,493,115	--	41,856,412	--	130,152	--	43,479,679
Fund Balance - June 30	<u>\$ 1,351,340</u>	<u>\$ --</u>	<u>\$ 27,444,132</u>	<u>\$ --</u>	<u>\$ 469,293</u>	<u>\$ --</u>	<u>\$ 29,264,765</u>

* See list of combined accounts, Exhibit 1.

DEPARTMENT OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY
CAPITAL PROJECTS FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Capital Outlay Fund for Public Higher Education		Totals (Memorandum Only)
	California School for the Deaf - Northern California	California Maritime Academy	
Sources:			
Appropriations	\$7,961,563	\$ 128,688	\$8,090,251
Expenditures:			
Capital outlay	8,471,771	398,911	8,870,682
Adjustments from liquidation of accruals	--	397,291	397,291
Reimbursements	--	(405,400)	(405,400)
Total Expenditures	<u>8,471,771</u>	<u>390,802</u>	<u>8,862,573</u>
Excess of Sources over (under) Expenditures	(510,208)	(262,114)	(772,322)
Fund Equity:			
Operating Clearing - July 1	--	(2,286)	(2,286)
Operating Clearing - June 30	<u>\$(510,208)</u>	<u>\$(264,400)</u>	<u>\$ (774,608)</u>

DEPARTMENT OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Internal Service State Surplus Property Revolving	Special Deposit Fund - Miscellaneous Services*	Totals (Memorandum Only)
Operating Revenues:			
Service and handling charges	\$8,035,343	\$ --	\$ 8,035,343
Commodity processing charges	274,767	--	274,767
Charges for services	--	1,726,775	1,726,775
Total Operating Revenues	8,310,110	1,726,775	10,036,885
Operating Expenses:			
General	7,534,349	1,435,530	8,969,879
Depreciation	54,602	--	54,602
Amortization	6,697	--	6,697
Miscellaneous	350,679	89,318	439,997
Total Operating Expenses	7,946,327	1,524,848	9,471,175
Operating Income	363,783	201,927	565,710
Nonoperating Revenues:			
Interest	128,812	--	128,812
Sale of equipment	530	--	530
Total Nonoperating Revenues	129,342	--	129,342
Net Income	493,125	201,927	695,052
Retained Earnings - July 1	1,680,698	289,460	1,970,158
Retained Earnings - June 30	\$2,173,823	\$ 491,387	\$ 2,665,210

* See list of combined accounts, Exhibit 1.

DEPARTMENT OF EDUCATION
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND EQUITY
 ALL EXPENDABLE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Department of Education</u>	<u>Special Schools*</u>	<u>Totals (Memorandum Only)</u>
Revenues:			
Interest	\$ 33,043	\$ --	\$ 33,043
Dividends	9,697	--	9,697
Gifts	<u>45,744</u>	<u>--</u>	<u>45,744</u>
Total Revenues	<u>88,484</u>	<u>--</u>	<u>88,484</u>
Other Financing Sources:			
Receipts from depositors	--	<u>150,381</u>	<u>150,381</u>
Total Revenues and Other Financing Sources	<u>88,484</u>	<u>150,381</u>	<u>238,865</u>
Expenditures:			
Student concerns	106,992	--	106,992
Payments for depositors	<u>--</u>	<u>131,846</u>	<u>131,846</u>
Total Expenditures	<u>106,992</u>	<u>131,846</u>	<u>238,838</u>
Excess of Revenues over (under) Expenditures	(18,508)	18,535	27
Fund Equity:			
Fund Balance - July 1	<u>647,793</u>	<u>34,840</u>	<u>682,633</u>
Fund Balance - June 30	<u>\$629,285</u>	<u>\$ 53,375</u>	<u>\$682,660</u>

* See list of special schools, Exhibit 1.

DEPARTMENT OF EDUCATION

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES--ALL AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

<u>TAX SHELTERED ANNUITY ACCOUNT</u>	<u>Balance</u> <u>July 1, 1978</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 1979</u>
<u>ASSETS</u>				
Cash	\$ 48,429	\$1,039,059	\$1,066,799	\$ 20,689
Accounts receivable	<u>86,190</u>	<u>87,276</u>	<u>86,190</u>	<u>87,276</u>
Total Assets	<u>\$134,619</u>	<u>\$1,126,335</u>	<u>\$1,152,989</u>	<u>\$107,965</u>
<u>LIABILITIES</u>				
Due to insurers	<u>\$134,619</u>	<u>\$1,120,483</u>	<u>\$1,147,137</u>	<u>\$107,965</u>
<u>UNEMPLOYMENT INSURANCE ADMINISTRATION ACCOUNT</u>				
<u>ASSETS</u>				
Cash	<u>\$ 29,644</u>	<u>\$1,054,941</u>	<u>\$1,028,475</u>	<u>\$ 56,110</u>
<u>LIABILITIES</u>				
Due to County School Superintendents	<u>\$ 29,644</u>	<u>\$1,054,941</u>	<u>\$1,028,475</u>	<u>\$ 56,110</u>
<u>VACATION TRUST ACCOUNT</u>				
<u>ASSETS</u>				
Cash	<u>\$ --</u>	<u>\$ 194</u>	<u>\$ --</u>	<u>\$ 194</u>
<u>LIABILITIES</u>				
Due to Trust Administrator	<u>\$ --</u>	<u>\$ 194</u>	<u>\$ --</u>	<u>\$ 194</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 78,073	\$2,094,194	\$2,095,274	\$ 76,993
Accounts receivable	<u>86,190</u>	<u>87,276</u>	<u>86,190</u>	<u>87,276</u>
Total Assets	<u>\$164,263</u>	<u>\$2,181,470</u>	<u>\$2,181,464</u>	<u>\$164,269</u>
<u>LIABILITIES</u>				
Due to Insurers	\$134,619	\$1,120,483	\$1,147,137	\$107,965
Due to County School Superintendents	<u>29,644</u>	<u>1,054,941</u>	<u>1,028,475</u>	<u>56,110</u>
Due to Trust Administrator	<u>--</u>	<u>194</u>	<u>--</u>	<u>194</u>
Total Liabilities	<u>\$164,263</u>	<u>\$2,175,618</u>	<u>\$2,175,612</u>	<u>\$164,269</u>

DEPARTMENT OF EDUCATION

COMPARISON OF THE LEGALLY ADOPTED BUDGET WITH
ACTUAL DATA ON THE BUDGETARY BASIS
GENERAL FUNDFOR THE FISCAL YEAR ENDED JUNE 30, 1979
(Page 1 of 4)

	Department of Education		Variance -
	Budget as Adjusted	Actual Expenditures	Favorable (Unfavorable)
For Support:			
Personal services	\$ 40,519,457	\$ 36,403,697	\$ 4,115,760
Operating expenses and equipment	51,470,573	28,937,178	22,533,395
Education Commission of the States	35,000	33,000	2,000
Unallocated vocational education	560,394	--	560,394
Less:			
Reimbursements	(4,886,078)	(4,384,577)	(501,501)
Federal funds	(29,051,075)	(23,457,719)	(5,593,356)
Amounts payable from other support appropriations	(37,573,881)	(17,925,721)	(19,648,160)
Amounts payable from local assistance appropriations	(947,713)	(684,699)	(263,014)
Total Support	20,126,677	18,921,159	1,205,518
Training farm labor vehicle	29,069	--	29,069
Driver training course development, Section 41904 Education Code	105,604	90,995	14,609
Vocational Education Councils	33,263	(75,739)	109,002
For allocation to school districts, 1978-79 fiscal year	6,930,000	6,930,000	--
Preparing and distributing the frameworks for assessing pupil proficiency	--	(3,972)	3,972
Issuing monthly or quarterly lists of state publications	--	(875)	875
Administering California High School Proficiency Exam program	228,628	215,718	12,910
Division of Libraries	4,284,895	4,116,923	167,972
Instructional television programs	821,364	768,368	52,996
Demonstration program in reading and mathematics	3,079,512	3,056,291	23,221
Compensatory Education Demonstration program	153,696	(125,178)	278,874
Special elementary school reading instruction teachers	14,005,317	14,005,317	--
Driver education and training, Section 41304A, Education Code	242,514	150,088	92,426
Occupational training for the physically handicapped	180,000	180,000	--
Child Development Program--Preschool	24,542,044	24,540,402	1,642
Administration of Educationally Disadvantaged Youth Program	1,021,802	859,856	161,946

DEPARTMENT OF EDUCATION

COMPARISON OF THE LEGALLY ADOPTED BUDGET WITH
ACTUAL DATA ON THE BUDGETARY BASIS
GENERAL FUNDFOR THE FISCAL YEAR ENDED JUNE 30, 1979
(Page 2 of 4)

	Department of Education		Variance -
	Budget as Adjusted	Actual Expenditures	Favorable (Unfavorable)
For allocation to migrant child care agencies	1,000,000	1,000,000	--
Conduct workshops and in-service training clinics for teachers and administrators	70,000	--	70,000
Expenditures - administration	145,500	142,811	2,689
Staff development programs	495,000	486,344	8,656
Child care services	6,250,000	6,226,319	23,681
Genetic disease prevention programs	140,000	110,548	29,452
Native American Indian Education program	257,580	257,580	--
For apportionment to the career guidance centers, counties of San Diego and Los Angeles	250,000	250,000	--
California Library Services Act	42,000	25,821	16,179
Public libraries	4,780,000	4,767,803	12,197
School resources centers	450,000	450,000	--
Independent evaluation of the School Improvement Programs	125,000	125,000	--
Support of independent evaluation of the California Master Plan for Special Education	150,000	150,000	--
Bilingual Teacher Corps Program	1,502,318	1,492,301	10,017
Develop, standardize, and implement bilingual scholastic achievement test in the Spanish language	32,893	32,427	466
Professional development centers programs	657,306	603,306	54,000
Nutrition programs administration	831,136	686,798	144,338
Independent evaluation--Section 52038, Education Code	250,000	250,000	--
Independent evaluation--Section 56355, Education Code	250,000	250,000	--
Preparation and distribution of frameworks for assessing pupil progress	233,282	231,301	1,981
School bus inspections	--	(5,374)	5,374
Indian education centers	606,753	606,753	--
Early Childhood Education Programs	375,000	367,286	7,714
Southern California Regional Library for the Blind, Physically Handicapped, and Reading Disabled	166,000	166,000	--
Toll free telephone service for registered patrons of the Federal Regional Libraries for the Blind and Handicapped	15,000	279	14,721
Payment to Pacific Elementary School District for increased construction costs	125,000	125,000	--
Effective program information dissemination	20,000	4,353	15,647
Aid to county superintendents of schools	28,800,000	28,800,000	--
Developmental Centers for Handicapped Pupils	14,523,400	14,523,400	--
Child Development Programs	74,216,862	73,650,510	566,352
Total	<u>\$212,544,415</u>	<u>\$209,405,919</u>	<u>\$ 3,138,496</u>

DEPARTMENT OF EDUCATION
 COMPARISON OF THE LEGALLY ADOPTED BUDGET WITH
 ACTUAL DATA ON THE BUDGETARY BASIS
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1979
 (Page 3 of 4)

	Special Schools*		Variance -
	<u>Budget as Adjusted</u>	<u>Actual Expenditures</u>	<u>Favorable (Unfavorable)</u>
For Support:			
Personal services	\$18,805,279	\$18,513,160	\$ 292,119
Operating expenses and equipment	3,911,175	3,717,064	194,111
Less:			
Reimbursements	(3,447,815)	(3,292,608)	(155,207)
Federal funds	--	--	--
Total Support	<u>19,268,639</u>	<u>18,937,616</u>	<u>331,023</u>
Minor capital outlay	<u>62,000</u>	<u>62,000</u>	<u>--</u>
Total	<u>\$19,330,639</u>	<u>\$18,999,616</u>	<u>\$ 331,023</u>

* See list of special schools, Exhibit 1.

DEPARTMENT OF EDUCATION

COMPARISON OF THE LEGALLY ADOPTED BUDGET WITH
ACTUAL DATA ON THE BUDGETARY BASIS
GENERAL FUNDFOR THE FISCAL YEAR ENDED JUNE 30, 1979
(Page 4 of 4)

	California Maritime Academy		Variance -
	Budget as Adjusted	Actual Expenditures	Favorable (Unfavorable)
For Support:			
Personal services	\$ 2,518,900	\$2,302,681	\$ 216,219
Operating expenses and equipment	1,632,436	1,630,274	2,162
Less:			
Reimbursements	(1,138,606)	(957,738)	(180,868)
Federal funds	(776,051)	(788,808)	12,757
Total Support	<u>\$ 2,236,679</u>	<u>\$2,186,409</u>	<u>\$ 50,270</u>

DEPARTMENT OF EDUCATION
COMPARISON OF THE LEGALLY ADOPTED BUDGET WITH
ACTUAL DATA ON THE BUDGETARY BASIS
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

<u>State School Fund</u>	<u>Budget as Adjusted</u>	<u>Actual Expenditures</u>	<u>Variance - Favorable (Unfavorable)</u>
Principal apportionments:			
Districts State Aid Grant and Adults in Correctional Facilities	\$4,205,700,000	\$4,205,679,998	\$ 20,002
State Aid for Teachers' Retirement	152,400,000	126,830,543	25,569,457
County State Aid Grant and California State School Fund Budget Allowance	<u>137,192,867</u>	<u>137,192,866</u>	<u>1</u>
Total Principal Apportionments	<u>4,495,292,867</u>	<u>4,469,703,407</u>	<u>25,589,460</u>
Special Education:			
Physically Handicapped, Mentally Retarded, Educationally Handicapped, Special Transportation and Sedgwick Act	243,926,000	237,795,176	6,130,824
Mentally Gifted	13,373,550	13,373,534	16
Master Plan for Special Education	101,424,195	101,424,174	21
Sedgwick overpayment returned	2,367	--	2,367
Total Special Education	<u>358,726,112</u>	<u>352,592,884</u>	<u>6,133,228</u>
Transportation to State Special Schools	<u>418,724</u>	<u>308,591</u>	<u>110,133</u>
Special Purposes:			
Transportation	60,689,000	60,608,901	80,099
Driver Training	19,800,000	19,799,654	346
School Improvement Program (ECE)	122,911,200	122,910,692	508
Educationally Disadvantaged Youth	112,958,000	112,715,412	242,588
Urban Impact Aid	<u>36,720,000</u>	<u>36,720,000</u>	--
Total Special Purposes	<u>353,078,200</u>	<u>352,754,659</u>	<u>323,541</u>
Bilingual Education	<u>8,231,882</u>	<u>8,222,987</u>	<u>8,895</u>
Bilingual - Bicultural Education	<u>2,862,000</u>	<u>2,809,983</u>	<u>52,017</u>
Educationally Disadvantaged Youth Unrestricted Funds	<u>415,800</u>	<u>415,800</u>	<u>--</u>
Emergency Appropriation - Bakersfield City School District	<u>986,887</u>	<u>986,887</u>	<u>--</u>
Total State School Fund	<u>\$5,220,012,472</u>	<u>\$5,187,795,198</u>	<u>\$32,217,274</u>
<u>State Instructional Materials Fund</u>			
Instructional materials and textbooks Reserve for disaster loans	\$ 70,279,989 <u>199,177</u>	\$ 43,130,734 <u>1</u>	\$27,149,255 <u>199,176</u>
Total State Instructional Materials Fund	<u>\$ 70,479,166</u>	<u>\$ 43,130,735</u>	<u>\$27,348,431</u>
<u>State Child Nutrition Fund</u>			
Payments reimbursing school meal programs	<u>\$ 35,292,729</u>	<u>\$ 32,852,708</u>	<u>\$ 2,440,021</u>

DEPARTMENT OF EDUCATION
 COMPARISON OF THE LEGALLY ADOPTED BUDGET
 WITH ACTUAL DATA ON THE BUDGETARY BASIS
 CAPITAL PROJECTS FUND
 CAPITAL OUTLAY FUND FOR PUBLIC HIGHER EDUCATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	California School For the Deaf -			California Maritime Academy		
	Budget as Adjusted	Actual Expenditures	Variance - Favorable (Unfavorable)	Budget as Adjusted	Actual Expenditures	Variance - Favorable (Unfavorable)
<u>California School for the Deaf - Northern California</u>						
Equipping buildings	\$1,508,665	\$ 512,351	\$ 996,314	\$ --	\$ --	\$ --
Working drawings, construction, and equipment	6,532,789	6,532,789	--	--	--	--
Construction and equipment	1,830,581	1,814,931	15,650	--	--	--
Working drawings, construction, and equipment; Chapter 375/4, Item 389 A	(388,300)	(388,300)	--	--	--	--
<u>California Maritime Academy</u>						
Radar simulation and computer science addition	--	--	--	390,740	390,140	600
Minor capital projects for 1978/79 fiscal year	--	--	--	10,000	8,771	1,229
Site developments	--	--	--	500	128,000	(127,500)
Welding laboratory facility	--	--	--	--	(15,009)	15,009
Wharf and boathouse	--	--	--	9,217	(20,368)	29,585
Upper Academy Road and parking lot	--	--	--	405,400	390,769	14,631
Minor capital projects for 1977/78 fiscal year	--	--	--	114	(62,586)	62,700
Mechanical utilities system	--	--	--	94,388	--	94,388
Residence hall	--	--	--	(34,763)	(34,763)	--
Electrical distribution systems	--	--	--	11,526	11,526	--
Library addition	--	--	--	307	307	--
Auditorium Lecture Hall	--	--	--	3,560	3,560	--
New facilities	--	--	--	(4,145)	(4,145)	--
Totals	\$9,483,735	\$8,471,771	\$1,011,964	\$886,844	\$796,202	\$ 90,642

OTHER COMMENTS

As an integral part of our examination, we reviewed the Department of Education's and the special schools' accounting procedures and their related systems of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the department's financial statements present its financial position and the results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. Management letters describing the suggested operating improvements were issued to the department in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The department is in general agreement with the operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps